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Poultry

Poultry Semi-Annual Report

2000

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Report Highlights:

Revisions have been made in broiler production and exports for 1999 and 2000 reflecting new data obtained from trade sources. There are no changes in the PS&D for Turkey and Eggs from our last report (BR9615).

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Semi-Annual Report

Brasilia [BR1], BR

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Executive Summary

Changes have been made in the estimates for broiler production and exports for 1999 and 2000 in order to reflect new data obtained from trade sources.

Other estimates made by the Office of Agricultural Affairs (OAA) in the Annual Report (BR8615) are basically confirmed. No changes have been made in the PS&D for Turkey and Eggs from the last Report.

Note: The Brazilian poultry industry is completing a review of its broiler production data series in order to incorporate gains in productivity due the use of high performance broiler breeding stock. OAA will evaluate these changes and take this into account in the next Poultry Annual Report.

Production

Review of 1999: Production of broiler meat increased by nearly 15 percent in 1999 reflecting firm domestic demand, record exports and an increase of 16 percent in the parent stock flock of broiler type birds. Returns to producers were reduced by increased feed costs in the second half of the year, as corn prices increased by over 50 percent in Reais terms during the period. Some of these higher costs were passed on to consumers in terms of higher retail prices.

Outlook for 2000: The broiler sector is expected to remain strong at least through mid 2000. Current estimates made by trade sources call for another increase in broiler production of 6.7 percent for the year, over 1999, although this is below last year's increase over 1998. The increase in broiler production in 2000 assumes that domestic consumption will increase by nearly 10 percent, which is in line with the recovery of the Brazilian economy, and continued increases in the broiler export sector as the Brazilian product remains more competitive in view of the January 1999 devaluation of the Real.

However, poultry producers are concerned with the negative impact of the drought in the Southern states of Brazil, which will reduce the 1999/00 corn crop. Although large poultry companies can make use of the "drawback" system to import corn without paying import duties because they are in the export market, small and mid-sized poultry companies will feel the impact of higher feed costs mostly in the second half of 2000. Producers of day-old chicks are also concerned about the corn supply situation, and are planning to reduce the production of parent stock for broilers between 5 and 10 percent .

Consumption

Poultry processors are optimistic with the current recovery of the Brazilian economy which calls for GDP growth of 3 percent in 2000. Part of the increase in feed costs in the later half of 1999 has been passed on to consumers, and retail broiler prices have somewhat stabilized at higher levels than early in 1999. Because of the higher relative price of beef, poultry processors believe that domestic demand for broilers will remain strong in 2000.

Trade

Review of 1999: Brazil set another record in broiler exports in 1999. Overall broiler exports (whole and parts) reached 770,552 metric tons (up 25.8 percent from 1998), valued at US\$875.3 million (up 18.5 percent from the previous year). Exports of whole broilers increased by 15.7 percent from 1998 and reached 422,340 metric tons, while exports of broiler parts increased significantly by 40.8 percent from 1998 and reached 348,211 metric tons. According to trade sources, the average export price of broilers (whole and parts) in 1999 reached US\$1,136.00 per metric ton, down 6 percent from 1998.

Trade sources attribute the excellent results of broiler exports in 1999 to three factors: a) recovery of the world economy, mostly in Asia; b) the devaluation of the Brazilian currency in early 1999, and c) new markets, such as Czech Republic, and other traditional markets, such as Iran which returned to the Brazilian market and purchased 14,354 metric tons of whole broilers in 1999 (up from 1,999 mt in 1998), Cuba (6,000 mt in 1999 against 1,157 mt in 1998), and South Africa (11,712 mt in 1999 against 4,790 mt in 1998).

Saudi Arabia remains the most most important market for Brazilian broilers, mostly whole broilers, with 217,165 mt imported in 1999 (against 167,994 in 1998). In fact, Saudi Arabia increased its market share of Brazilian broiler exports from 27 to 28 percent. Hong Kong and Japan also remain important markets for Broiler parts, both increasing their imports in 1999. The European Union is becoming an important market for Brazilian broilers, mostly broiler parts. Argentina is the only major market for broilers that reduced imports from Brazil in 1999 (see policy section).

Outlook for 2000: Current trade sources estimate that Brazil will continue to increase its broiler exports in 2000 because world demand remains firm. OAA has revised its export estimates to 900,000 metric tons in 2000, up 16.9 percent from 1999, but well below the increase of nearly 26 percent last year. However, trade sources are concerned with the continuing drop in the average export price of broilers in world markets which reportedly dropped by 18 percent in the last quarter of 1999.

Policy

Brazil and Argentina have not reached an agreement yet regarding broiler exports. The informal agreement of 1998 by which Brazil agreed to voluntarily limit exports of broilers to Argentina at 7 percent of Argentine broiler production has been discontinued by an Argentine court decision in early December 1999, which established a monthly quota of 3,742 metric tons for imports of Brazilian broilers.

The Argentine Poultry Industry has also filed a anti-dumping case against Brazilian poultry exporters. A report produced by the National Foreign Trade Commission in Argentina claims that there is a Brazilian dumping margin of 14

percent in the price of broilers exported to Argentina. The Argentine government will decide on this issue soon according to Brazilian poultry exporters.

According to Brazilian trade sources the reason the Argentine poultry producers are trying to halt imports from Brazil is that the devaluation of the Real has made the Brazilian product more competitive. The other reason to attempt to halt imports of Brazilian broilers is the increase of poultry production in Argentina. Brazilian sources also say that exports of Brazilian broilers to Argentina in 1999 accounted for only 6 percent of an estimated Argentine poultry production of 855,000 metric tons.

Brazil also had problems exporting poultry to China in 1999 due to an isolated case of "Newcastle" disease in Rio de Janeiro. According to our sources in the federal government this problem has not yet been resolved. Brazil increased its exports of broiler parts to China (mainland) from 813 metric tons in 1998 to 9,336 metric tons in 1999.

PSD Table, Poultry Meat, Total

| PSD Table | | | | | | |
|-----------------------------|----------------------|---------|-------------|---------|---------------------|---------|
| Country | Brazil | | | | | |
| Commodity | Poultry, Meat, Total | | | | (1000 MT)(MIL HEAD) | |
| | Revised | 1998 | Preliminary | 1999 | Forecast | 2000 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1998 | | 01/1999 | | 01/2000 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 95 | 184 |
| Production | 4600 | 4600 | 5105 | 5269 | 5367 | 5627 |
| Whole, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 4600 | 4600 | 5105 | 5269 | 5462 | 5811 |
| Whole, Exports | 367 | 367 | 387 | 424 | 414 | 495 |
| Parts, Exports | 264 | 264 | 337 | 370 | 426 | 431 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 631 | 631 | 724 | 794 | 840 | 926 |
| Human Consumption | 3969 | 3969 | 4286 | 4291 | 4567 | 4735 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 3969 | 3969 | 4286 | 4291 | 4567 | 4735 |
| TOTAL Use | 4600 | 4600 | 5010 | 5085 | 5407 | 5661 |
| Ending Stocks | 0 | 0 | 95 | 184 | 55 | 150 |
| TOTAL DISTRIBUTION | 4600 | 4600 | 5105 | 5269 | 5462 | 5811 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

Poultry Meat, Export Trade Matrix

| | | | |
|---------------------|----------------------|--------|-------------|
| Export Trade Matrix | | | |
| Country | Brazil | | |
| Commodity | Poultry, Meat, Total | | |
| Time period | Jan-Dec | Units: | Metric Tons |
| Exports for: | 1998 | | 1999 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Argentina | 63,420 | | 52,601 |
| Bahrain | 7,655 | | 10,552 |
| European Union | 81,637 | | 103,356 |
| Hong Kong | 73,427 | | 102,575 |
| Japan | 73,451 | | 100,661 |
| Qatar | 13,868 | | 14,385 |
| Russia | 16,582 | | 9,880 |
| Saudi Arabia | 168,367 | | 217,615 |
| Singapore | 20,942 | | 25,441 |
| UAE | 24,527 | | 25,441 |
| Total for Others | 543,876 | | 662,507 |
| Others not Listed | 87,968 | | 132,145 |
| Grand Total | 631,844 | | 794,652 |

PSD Table, Poultry Meat, Chicken - 16 wks

| PSD Table | | | | | | |
|-----------------------------|-----------------------------|---------|-------------|---------|---------------------|---------|
| Country | Brazil | | | | | |
| Commodity | Plty, Meat, Chicken -16 wks | | | | (1000 MT)(MIL HEAD) | |
| | Revised | 1998 | Preliminary | 1999 | Forecast | 2000 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1998 | | 01/1999 | | 01/2000 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 90 | 184 |
| Production | 4498 | 4498 | 4990 | 5154 | 5240 | 5500 |
| Whole, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 4498 | 4498 | 4990 | 5154 | 5330 | 5684 |
| Whole, Exports | 365 | 365 | 385 | 422 | 412 | 493 |
| Parts, Exports | 247 | 247 | 315 | 348 | 402 | 407 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 612 | 612 | 700 | 770 | 814 | 900 |
| Human Consumption | 3886 | 3886 | 4200 | 4200 | 4466 | 4634 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 3886 | 3886 | 4200 | 4200 | 4466 | 4634 |
| TOTAL Use | 4498 | 4498 | 4900 | 4970 | 5280 | 5534 |
| Ending Stocks | 0 | 0 | 90 | 184 | 50 | 150 |
| TOTAL DISTRIBUTION | 4498 | 4498 | 4990 | 5154 | 5330 | 5684 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

Poultry Meat, Chicken - 16 wks, Export Trade Matrix

| | | | |
|---------------------|-----------------------------|--------|-------------|
| Export Trade Matrix | | | |
| Country | Brazil | | |
| Commodity | Plty, Meat, Chicken -16 wks | | |
| Time period | Jan-Dec | Units: | Metric Tons |
| Exports for: | 1998 | | 1999 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Argentina | 62,364 | | 51,991 |
| Bahrain | 7,655 | | 10,552 |
| European Union | 69,922 | | 88,456 |
| Hong Kong | 72,444 | | 101,522 |
| Japan | 73,360 | | 100,541 |
| Qatar | 13,868 | | 14,385 |
| Russia | 16,582 | | 9,880 |
| Saudi Arabia | 167,994 | | 217,165 |
| Singapore | 20,942 | | 25,808 |
| UAE | 24,527 | | 25,441 |
| Total for Others | 529,658 | | 645,741 |
| Others not Listed | 82,820 | | 124,811 |
| Grand Total | 612,478 | | 770,552 |